

NEWPORT LEGACY SEOUL KOREA: GOLD MARKET BREACHES 'COVERED UP'

Newport legacy wealth management Seoul Korea thanks Andy Verity and [bbc.com](https://www.bbc.com) for reproducing the following article.

Newport legacy Seoul Korea broadly agrees with the following.

Dubai's biggest gold refiner committed serious breaches of the rules designed to stop gold mined in conflict zones from entering the global supply chain, a whistleblower has revealed.

Amjad Rihan led an Ernst & Young team that audited Kaloti and found it was failing to carry out the proper checks.

But after he told the Dubai regulator, it changed its audit procedures. He said that allowed details of the most serious findings to be covered up, with Ernst & Young turning a blind eye.

The regulator, Ernst & Young and Kaloti all say they acted properly.

Mr Rihan told BBC Newsnight: "The risk of conflict gold entering Dubai and entering the global supply chain is extremely high."

The audit team, which visited Kaloti last year, alerted the Dubai Multi Commodities Centre (DMCC) and also urged superiors at Ernst & Young to notify other regulators and the gold-buying public.

Global gold hub

In May the DMCC's guidance required the audit team's initial findings to be made public but by November that requirement had disappeared.

Angry with the regulator and his firm, Mr Rihan decided to resign and blow the whistle, taking his story to the campaigning group Global Witness, which passed key documents to Newsnight. His disclosures have also been reported by the Guardian and Al-Jazeera.

Media caption Amjad Rihan tells BBC Newsnight why he felt he had to resign

"I wouldn't be able to live with a decision like that. I wouldn't be able to come back home at the end of the day and look at my children in the eyes and tell them I'm proud of myself. I will never feel at peace with myself," he said.

The audit found Kaloti had breached a number of international rules for the responsible sourcing of gold, including:

Paying tens millions of dollars in cash without proper documentation – a total of \$5.2bn (£3.1bn) – or 40% of its business

Importing more than four tonnes of gold-painted silver that arrived in Dubai declared as gold – a practice Kaloti described as "normal"

Dealing with a supplier that had been linked to conflict zones in eastern Congo

Conflict-free gold is described as gold that has not caused, supported or benefited unlawful armed conflict during its production.

Dubai is an important global gold hub, with more than one-fifth of the world's trade in physical gold taking place there.

As well as being used for jewellery or gold bars, about 300 tonnes of gold a year is used for components in electronic devices, such as computer leads and smartphones.

‘Choke point’

Dubai has been named in reports by Global Witness and the United Nations as a big destination for conflict gold. So the DMCC has adopted the international standards designed to show its gold traders and refiners are sourcing gold responsibly.

Conflict minerals

gold barImage copyrightREUTERS

- Conflict minerals are minerals mined in conditions of armed conflict and human rights abuses
- Armed groups earn hundreds of millions of dollars every year by trading conflict minerals. These minerals can be found in all our electronic devices, from mobile phones to gaming systems
- A law passed in 2010 gave companies a May 2014 deadline for reporting the source of its raw materials
- In January computing company Intel announced that it would no longer use conflict minerals in its microprocessors
- US technology giant Apple began publicising which of its suppliers may be sourcing minerals from conflict zones in February
- Apple’s first published list detailed 104 suppliers that were unverified for compliance with ethical guidelines

Ernst & Young’s team in Dubai was engaged to carry out an audit of Kaloti against two standards – one set by DMCC and one set by the London Bullion Markets Association (LBMA), the standard gold sellers have to meet to sell on the London market.

“Refiners – those who melt the gold down into bars or other forms – are the choke point in the supply chain,” Annie Dunnebacke, from Global Witness, said.

“They must carry out checks all the way... back to the mine to find out what the conditions of extraction were, whether the gold has funded conflict, and what’s happened along the way.”

Mr Rihan said his audit team made “severe and disturbing findings” at Kaloti but he discovered the DMCC was far from keen on publicly shaming Kaloti.

‘High risk’

Mr Rihan said: “We told them about the severity of our findings as well as our final conclusion which would state that the risk of conflict minerals entering Dubai is extremely high.

“The Dubai-based regulator was not happy about that, and when they realised that we will not alter our findings, they went ahead and they changed their own guidelines in such a way that our findings and our final conclusions are not made public.”

The DMCC denies changing its rules in order to keep the detail of the damaging findings out of public view. It says the rule changes were based on a consultant’s advice, to bring itself into line with international standards like those required to sell on the London bullion market.

Concerned that his firm was letting a cover-up take place, Mr Rihan wrote to Ernst & Young’s head of Europe, Middle East and Africa, Mark Otty, urging him to notify the UK regulator of the findings. He copied it to the firm’s global chairman and chief executive, Mark Weinberger.

Ernst & Young took the view that it did not need to notify the UK-based regulator.

Workers up a mountain in the DR CongoImage copyrightGETTY IMAGES

Image captionConflict-ravaged DR Congo has provided large amounts of gold for the global chain

Ernst & Young said the firm was not bound by the UK regulator’s rules to notify the LBMA of its findings and claimed it would be a breach of confidentiality to do so.

‘Goalposts moved’

Newsnight has seen confidential documents that show the audit team’s findings were initially accepted by the refiner, Kaloti, which privately acknowledged the most serious category of rule breach.

But in November, after what Mr Rihan described as a move of the “auditing goalposts”, Kaloti was able to declare itself “fully compliant”. And Ernst & Young publicly endorsed that as a “fair view”.

Gold – key facts

Gold - symbol, atomic number and weightImage copyrightTHINKSTOCK

Symbol: Au (from Latin aurum)

Atomic number: 79

Weight: 196.97

One of the “noble” metals that do not oxidise under ordinary conditions

Used in jewellery, electronics, aerospace and medicine

Most gold in the earth’s crust is thought to derive from meteors

Biggest producers: China, Australia, US, Russia

US Geological Survey: Gold

Annie Dunnebacke, from Global Witness says: “Ernst & Young’s actions are not illegal but they raise questions about the firm’s ethical commitments.”

In a statement, DMCC said it “utterly rejects any suggestion that it has acted in any way improperly in the application of responsible sourcing guidelines for gold and the review process for member refineries”.

It added: “We have never concealed instances of non-compliance or protocol breaches, nor sought to influence [Ernst & Young] or any independent reviewer in carrying out their duties in the review process.

“We have also never altered, amended or diluted our responsible sourcing guidelines or review protocol to favour any member refinery or otherwise interfered with the review process.”

Kaloti said any allegations relating to its non-compliance in the gold trade business were “without merit”. It said it was proud to have led the “transparency drive” in Dubai’s physical gold market.

“Kaloti has followed and adhered at all stages to the requirements of the audit and the DMCC review protocol and remains fully compliant,” it added.

Ernst & Young Dubai said it “refutes entirely the suggestion that we did anything but highly professional work in relation to our compliance engagement with Kaloti.”

It added: “The instances of non-compliance we found were fully reported by EY Dubai to the client and separately to the regulator.

“EY Dubai took the views of our former partner very seriously... consulting with internal and external experts, who supported the actions we took.

“We firmly believe... we have played an important role in achieving improvements in the client’s supply chain controls.”